

Message Text

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67

ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-02 INR-10 IO-13 NEA-10 NSAE-00 RSC-01

OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20

DODE-00 PA-03 USIA-12 PRS-01 RSR-01 /165 W

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R 261820 Z JUN 73

FM USMISSION OECD PARIS

TO SECSTATE WASHDC 079

INFO AMEMBASSY COPENHAGEN

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C O R R E C T E D C O P Y - FM OECD PARIS VICE AMEMB PARIS

E. O. 11652: N/A

TAGS: ECON, OECD, DA

SUBJECT: EDRC REVIEW OF DANISH ECONOMY

REF: USOECD 15534

1. DANISH DELEGATION HEADED BY USSING, MIN ECON AFFAIRS AND BUDGET, ABLY FIELDDED QUESTIONS FROM SECRETARIAT AND EDRC MEMBERS AND AGREED IN GENERAL WITH SECRETARIAT'S DRAFT SURVEY. HE SAID DANISH GNP EXPECTED RISE 5 TO 5,5 PER CENT IN 1973 NOT 6 PER CENT AS SECRETARIAT FORECAST. THIS DUE TO CAPACITY LIMITATION AND EFFECTS STRIKE EARLIER THIS YEAR. INFLATION WAS KEY PROBLEM: HIGH LEVEL DOMESTIC DEMAND AND IMPORT PRICES 6 PER CENT HIGHER THAN LAST YEAR WERE PRINCIPAL ELEMENTS. USSING ADMITTED GOVERNMENT SHOULD HAVE APPLIED BRAKES SOONER TO DOMESTIC DEMAND AND THIS WOULD HAVE PRESTENDED NO RISK TO UNEMPLOYMENT. HOWEVER, MONETARY POLICY WOULD NOT BE TIGHTENED TO POINT IT WOULD CUT OFF NEEDED INVESTMENT. REAL PUBLIC EXPENDITURES EXPECTED SLOW DOWN IN COURSE 73/74 BECAUSE SOME CHANGES IN VIEWS POLITICAL PARTIES, AND AGREEMENT BETWEEN CENTRAL AND LOCAL AUTHORITIES TO RETAIN BORRWOING CEILINGS IN 74 AND 73 BUDGEDTED LVEL.
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2. ON CURRENT ACCOUNT BALANCE PAYMENTS, USSING SAID IT WAS NOT IMPROVING AS EXPECTED, MAINLY BECAUSE IMPORT GROWTH RELATED TO CONTINUING HIGH LEVEL DEMAND AND HEAVY DOMESTIC INVESTMENT WOULD OUTSPACE EXPORT GROWTH. SINCE REFERENDUM, THERE HAD BEEN SUBSTANTIAL CAPITAL INFLOW - 250 MIL KR IN FIRST QUARTER 73 - AND CAPITAL ACCOUNT WOULD LIKELY OFFSET OR MORE THAN OFFSET CURRENT ACCOUNT DEFICIT. BORWN

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*** Current Classification *** UNCLASSIFIED

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Disposition Event:
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